

## Message Text

UNCLASSIFIED

PAGE 01 BONN 01844 01 OF 03 031731Z

47

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /102 W

----- 029507

R 031715Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6170

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 01844

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING FEBRUARY 2)

REF.: BONN 20144 OF DEC. 12, 1975

1. EXCHANGE MARKET: THE WEAKENING DEVELOPMENT OF THE DOLLAR WHICH BECAME EVIDENT DURING TRADING ON THURSDAY, JANUARY 29 (FIXING 2.6014) CONTINUED INTO FRIDAY AND MONDAY TRADING. IN CONTRAST TO THE PRECEEDING TWO DAYS WHICH WERE CHARACTERIZED AS CALM, MONDAY AFTER-NOON TRADING WAS LABELLED "HECTIC". DIE WELT ATTRIBUTED THE DROP ON THURSDAY PARTLY TO THE INFLUENCE OF LOWER  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 01844 01 OF 03 031731Z

EURO-DOLLAR INTEREST RATES (ONE MONTH EURO-DOLLAR RATES

FELL FROM 5.50 PERCENT ON JANUARY 26 TO 5.00 PERCENT ON THURSDAY THE 29TH), WHILE ONE-MONTH EURO-DM RATES REMAINED STABLE. THE MINOR CHANGE IN THE THREE-MONTH RATES FOR BOTH EURO-DM AND DOLLARS APPEAR NOT TO HAVE INFLUENCED THE MARKET. THE PRESS POINTED TO THE LOWER PRIME RATE ANNOUNCEMENT IN NEW YORK ON FRIDAY FOR THE LOWER OPENING OF THE DOLLAR (2.5850) ON MONDAY. THE BUNDESBANK WAS REPORTED NOT TO HAVE INTERVENED AT THE MONDAY FIXING OF 2.5775 WHILE THE FEDERAL RESERVE BOARD WAS SAID TO HAVE BEEN IN THE MARKET AS THE DOLLAR SLIPPED TO 2.5675 DURING THE AFTERNOON. IT WAS ALSO REPORTED IN THE PRESS THAT THE ANNOUNCED SWISS RESTRICTIVE MEASURES ON CAPITAL IMPORTS MAY HAVE INCREASED THE FLOW OF FUNDS (PRINCIPALLY FROM ITALY AND FRANCE) INTO GERMANY INSTEAD TO SWITZERLAND, THUS HAVING A STRENGTHENING EFFECT ON THE DM. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

|              | FORWARD DOLLARS         |             |      |
|--------------|-------------------------|-------------|------|
|              | (DISCOUNTS IN PCT.P.A.) |             |      |
| SPOT DOLLARS | ONE-MONTH               | THREE-MONTH |      |
| JAN 26       | DM 2.5998               | -L.9        | -L.8 |
| 27           | 2.6015                  | -1.6        | -1.7 |
| 28           | 2.5995                  | -1.2        | -1.8 |
| 29           | 2.6014                  | -1.4        | -1.6 |
| 30           | 2.5943                  | -1.5        | -1.6 |
| FEB 2        | 2.5775                  | -1.5        | -1.7 |

DURING THE REPORTING WEEK (JANUARY 27-FEBRUARY 2) THE POSITION OF THE DEUTSCHEMARK IN THE JOINT FLOAT STRENGTHENED AND ON FEBRUARY 2 ONLY DUTCH GUILDERS AND SWEDISH CROWNS WERE ABOVE.

2. MONEY MARKET: AT THE BEGINNING OF FEBRUARY GERMAN MONEY MARKET CONDITIONS REMAINED UNCHANGED FROM THOSE PREVAILING AT THE END OF JANUARY WITH THE CALL MONEY RATE REMAINING AT ABOUT THE LEVEL OF THE 3 1/2 PERCENT REDISCOUNT RATE. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 01844 01 OF 03 031731Z

|        | CALL MONEY | ONE-MONTH MONEY | THREE-MONTH MONEY |
|--------|------------|-----------------|-------------------|
| JAN 22 | 3.5-3.7    | 3.75            | 3.95              |
| 23     | 3.7-3.9    | 3.75            | 3.95              |
| 26     | 3.5-3.6    | 3.70            | 3.90              |
| 27     | 3.7-3.9    | 3.70            | 3.90              |
| 28     | 3.5-3.7    | 3.70            | 3.90              |

29 3.5-3.8 3.70 3.90  
30 3.5-3.7 3.70 3.90  
FEB 2 3.5-3.7 3.70 3.90

3. MORE ON KLASSEN'S REPORTED DEPARTURE: IN A LETTER  
PUBLISHED IN THE WEEKLY NEWSMAGAZINE DER SPIEGEL LUD-  
WIG POUILLAIN SAID THAT HE NEITHER HAD INTEREST  
IN THE POSITION OF PRESIDENT OF THE BUNDESBANK NOR  
WAS HE IN THE COMPETITION POUILLAIN SAID THAT HIS DUTIES  
ON THE BOARD OF THE WESTDEUTSCHE LANDESBANK GIROZENTRALE

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 01844 02 OF 03 031732Z

47

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /102 W  
----- 029525

R 031715Z FEB 76  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 6171  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 03 BONN 01844

WOULD KEEP HIM SUFFICIENTLY OCCUPIED FOR THE REST OF

HIS CAREER. THE CHAIRMAN OF THE BOARD OF THE BANK FUER GEMEINWIRTSCHAFT, DR. WALTER HESSELBACH, IS QUOTED AS SAYING THAT HE IS NOT INTERESTED IN THE POSITION AND HAS NOT RECEIVED ANY "CONCRETE OFFER." CONTINUING REPORTS LIKE THE ABOVE SEEM TO ADD CREDENCE TO REPORTS THAT KLASSEN WILL IN FACT BE DEPARTING.

4) ANOTHER BANK CLOSURE: ON MONDAY FEBRUARY 2 THE SMALL PRIVATE BANKING HOUSE OTTO DIERKS AND CO., KG, MUNICH, "UNCONDITIONALLY AND IRREVOCALLY" RETURNED ITS BANKING LICENSE TO THE GERMAN BANKING SUPERVISORY AUTHORITY. THE BANK  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 01844 02 OF 03 031732Z

ANNOUNCED THAT ITS DOORS WILL REMAIN OPEN IN ORDER TO WIND UP ALL PAYMENTS AND DEBTS BUT THAT NO FURTHER BANKING BUSINESS WOULD BE INCURRED. CUSTOMER DEPOSITS REPORTED TO BE ABOUT DM 13 MILLION WILL BE FULLY COVERED BY THE ASSOCIATION OF GERMAN BANKS. ON NOVEMBER 30, 1975 THE BANK'S BALANCE SHEET TOTAL WAS REPORTED TO BE DM 27 MILLION. THE BANK'S DIFFICULTIES, ACCORDING TO PRESS REPORTS, WAS DIRECTLY RELATED TO THE CLOSURE IN JANUARY OF THE PFALZ-KREDIT-BANK IN WHICH DIERKS HAD SOME DM 2.5 MILLION OF DEPOSITS.

5. AMENDMENT TO GERMAN BANKING LAW PASSED BY BUNDESTAG: ON JANUARY 30 THE BUNDESTAG PASSED AN AMENDMENT TO THE GERMAN BANKING LAW, THE MAJOR PROVISION OF WHICH PLACES LIMITATIONS ON LARGE CREDITS OF BANKS (SEE BONN 20144 OF DEC. 12, 1975). OTHER PROVISIONS INCLUDE: A) TIGHTENED REPORTING REQUIREMENTS FOR BANKS; B) INCREASED POWER FOR THE BANKING SUPERVISORY AUTHORITY TO MAKE SPECIAL AUDITS; C) INTRODUCTION OF THE PRINCIPLE FOR AN INDIVIDUAL BANK HAVING AT LEAST TWO RESPONSIBLE MANAGERS (CURRENTLY A BANK IS PERMITTED TO A SINGLE RESPONSIBLE MANAGER). THE BUNDESRAT WILL DECIDE ON THE AMENDMENT ON FEBRUARY 20. IT IS EXPECTED THAT THE BUNDESRAT WILL PASS THE LAW IN THE VERSION APPROVED BY THE BUNDESTAG.

6. MONEY SUPPLY: IN DECEMBER THE MONETARY EXPANSION WAS LOWER THAN IN PREVIOUS MONTHS ALTHOUGH CREDIT DEMAND BOTH FROM THE PRIVATE AND THE PUBLIC SECTOR OF THE ECONOMY REMAINED HIGH. THE INCREASE IN SAVINGS DEPOSITS WAS SEASONALLY HIGH DUE TO CREDITING OF YEAR-END INTEREST PAYMENTS. THE NARROWLY DEFINED MONEY SUPPLY (M1) DECLINED ON A SEASONALLY ADJUSTED BASIS BY DM 0.7 BILLION WHILE THE WIDELY DEFINED MONEY SUPPLY (M2) INCREASED BY DM 1.3 BILLION. AT AN ANNUAL RATE (SEASONALLY ADJUSTED) M1 INCREASED DURING THE SECOND

HALF OF 1975 BY 15.4 PERCENT. AT THE END OF DECEMBER  
IT WAS 13.5 PERCENT HIGHER THAN A YEAR AGO. M2 ROSE  
DURING THE SECOND HALF OF 1975 BY 10.9 PERCENT BUT WAS  
AT THE END OF DECEMBER 0.1 PERCENT LOWER THAN A YEAR  
AGO. DURING DECEMBER THE INDIVIDUAL DETERMINANTS  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 01844 02 OF 03 031732Z

AND COMPONENTS OF THE MONEY SUPPLY (SEASONALLY UN-  
ADJUSTED) DEVELOPED AS FOLLOWS:

|              | 1975 | 1974 |     |
|--------------|------|------|-----|
|              | NOV  | DEC  | NOV |
| (DM BILLION) |      |      |     |

I. BANK LENDING TO DOMESTIC

|           |      |      |      |
|-----------|------|------|------|
| NON-BANKS | 14.1 | 16.1 | 10.6 |
|-----------|------|------|------|

OF WHICH TO PUBLIC

|             |     |     |     |
|-------------|-----|-----|-----|
| AUTHORITIES | 5.8 | 6.7 | 2.4 |
|-------------|-----|-----|-----|

|                |     |     |     |
|----------------|-----|-----|-----|
| PRIVATE SECTOR | 8.2 | 9.3 | 8.2 |
|----------------|-----|-----|-----|

II. NET EXTERNAL ASSETS OF

BANKS (INCLUDING

|             |     |      |     |
|-------------|-----|------|-----|
| BUNDESBANK) | 3.3 | -2.2 | 1.9 |
|-------------|-----|------|-----|

III. SAVINGS DEPOSITS AND

|       |     |      |      |
|-------|-----|------|------|
| BONDS | 3.4 | 19.8 | 19.7 |
|-------|-----|------|------|

IV. TIME DEPOSITS (1) AND

OUTSTANDING BANK BONDS

|     |     |     |     |
|-----|-----|-----|-----|
| (2) | 2.3 | 1.2 | 1.4 |
|-----|-----|-----|-----|

V. OFFICIAL ASSETS HELD AT

|              |      |      |      |
|--------------|------|------|------|
| CENTRAL BANK | -1.9 | -3.8 | -1.9 |
|--------------|------|------|------|

|           |     |       |       |
|-----------|-----|-------|-------|
| VI. OTHER | 1.2 | -11.2 | -16.4 |
|-----------|-----|-------|-------|

-----

VII. MONEY SUPPLY (M2)

(I PLUS II MINUS III MINUS

|                      |      |     |     |
|----------------------|------|-----|-----|
| IV MINUS V MINUS VI) | 12.4 | 7.9 | 9.7 |
|----------------------|------|-----|-----|

OF WHICH: CURRENCY IN

CIRCULATION AND SIGHT

|               |      |     |     |
|---------------|------|-----|-----|
| DEPOSITS (M1) | 14.2 | 1.8 | 4.6 |
|---------------|------|-----|-----|

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 01844 03 OF 03 031736Z

47

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /102 W

----- 029566

R 031715Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6172

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 03 OF 03 BONN 01844

MATURITIES UP TO 4 YEARS -1.8 6.2 5.1

(1) WITH MATURITIES OF 4 YEARS AND MORE.

(2) EXCLUDING BONDS HELD BY BANKS.

7. EXPORT CREDIT: THE AKA EXPORT CREDIT CORPORATION HAS ANNOUNCED THAT FUNDS AVAILABLE THROUGH PLAFOND-B, THE REDISCOUNT LINE OF CREDIT AVAILABLE FROM THE BUNDESBANK, IS FULLY DEPLETED. PLAFOND B CREDITS PROVIDED TO EXPORTERS AT AN INTEREST RATE BASED ON THE PREVAILING BUNDESBANK REDISCOUNT RATE AND WITH A MATURITY OF TWELVE TO FORTY-EIGHT MONTHS. INTEREST RATES FOR PLAFOND B ARE NOW AT 5.6 PERCENT (INCLUDING A 0.6 PERCENT STAMP  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 01844 03 OF 03 031736Z

TAX). THE AKA IS STILL PROVIDING CREDIT THROUGH ITS PLAFOND-A WHICH IS SOURCED BY THE MEMBER BANKS OF THE AKA CONSORTIUM. INTEREST RATES FOR PLAFOND A CREDIT CURRENTLY STAND AT 7.25 PERCENT.

8. BUNDESBANK FOREIGN POSITION: IN THE THIRD WEEK OF JANUARY (JANUARY 16-23) THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.6 BILLION TO DM 84.6 BILLION. ACCORDING TO THE BUNDESBANK, THE DECLINE WAS IN PART DUE TO GOVERNMENT PAYMENTS TO THE EEC. GERMANY'S IMF GOLD TRANCHE POSITION INCREASED BY DM 69 MILLION AND CREDITS GRANTED TO THE IMF ON THE BASIS OF SPECIAL CREDIT ARRANGEMENTS BY DM 458 MILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE DECLINED BY DM 648 MILLION WHILE GROSS LIABILITIES INCREASED BY ABOUT DM 480 MILLION.

9. BANK LIQUIDITY: IN THE THIRD WEEK OF FEBRUARY BANK LIQUIDITY DECLINED BY DM 0.6 BILLION. THE MAJOR FACTOR REDUCING LIQUIDITY WAS AN INCREASE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK OF DM 5.2 BILLION REFLECTING MID-MONTH TAX PAYMENTS WHILE THE ABOVE MENTIONED DECLINE IN THE BUNDESBANK'S FOREIGN POSITION CONTRIBUTED. OTHER FACTORS, NET, REDUCED LIQUIDITY BY DM 1.0 BILLION. LIQUIDITY WAS INCREASED BY THE USUAL DECLINE OF CURRENCY IN CIRCULATION IN THE THIRD WEEK OF A MONTH (DM 2.4 BILLION) AND A DM 3.8 BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK. THE BANKS FINANCED THE DECLINE IN LIQUIDITY BY INCREASING REDISCOUNT BORROWINGS BY DM 0.5 BILLION AND LOMBARD BORROWINGS BY DM 0.1 BILLION.

10. NEW FOREIGN DM LOANS: CURRENTLY TWO FOREIGN DM LOANS ARE BEING OFFERED: A DM 250 MILLION LOAN OF THE IBRD (COUPON 8 PERCENT, ISSUE PRICE 100, MATURITY 8 YEARS NON-CALLABLE), AND A DM 50 MILLION LOAN OF THE EUROPEAN COUNCIL (COUPON 8.5 PERCENT, ISSUE PRICE 100, MATURITY 7 YEARS WITH REPAYMENT TO BEGIN AFTER 5 YEARS). CASH

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DOLLAR, FOREIGN EXCHANGE RATES, FINANCIAL DATA, BANKS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BONN01844  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760040-1010  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760289/aaaadahz.tel  
**Line Count:** 364  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 27 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <27 MAY 2004 by BrownAM>; APPROVED <08 DEC 2004 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS (WEEK ENDING FEBRUARY 2)  
**TAGS:** EFIN, GE, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006